Financial Ombudsman Service

complaint

Through a claims management company, (CMC) Mr and Mrs S complain that two mortgages were mis-sold to them by Legal & General Partnership Services Limited (L&G) in 2006 and 2008.

background

Mr and Mrs S took advice from L&G in 2006 and 2008. On each occasion they remortgaged, consolidating existing debts. On their behalf a CMC complained that the advice was unsuitable.

L&G rejected the complaint. It was satisfied that the advice given was suitable. The complaint was considered by one of our adjudicators. He didn't recommend it should be upheld. On balance he was satisfied the advice was suitable and met Mr and Mrs S's needs at the time.

The CMC asked for an ombudsman to review the complaint so it now falls to me to issue a final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I confirm I've read everything provided by the parties, but I don't intend to respond in similar detail. No discourtesy is intended; it simply reflects the informal service we provide. Instead I will concentrate on the main issues in the complaint. This review and final decision concerns only the mortgage advice – the insurance advice is being considered under a separate complaint.

2006 – Mr and Mrs S remortgaged to enable them to consolidate other debt – primarily credit card debts. I'm satisfied the adviser properly explained the implications of debt consolidation and provided a comparison of the relative costs of consolidation against non-consolidation. I'm also satisfied that Mr and Mrs S had policies in place to cover the interest-only part of the loan. No recommendation was made for Mr and Mrs S to approach their existing lender.

The client review shows that Mr and Mrs S disclosed there had been a previous repossession and judgment debts against them, and there had also been a missed repayment in January 2006. So I think this is likely to have affected the options available to Mr and Mrs S.

In the circumstances, I'm satisfied the recommendation was suitable, given the need to consolidate existing debt. Mr and Mrs S were unable to afford their existing commitments and had a shortfall each month which the remortgage removed. It seems this remortgage was intended to provide a buffer which would enable Mr and Mrs S to get their finances in order, with a view to remortgaging to a high street lender at a later date.

2008 – Although the 2006 remortgage had given Mr and Mrs S a 'clean slate' (and a surplus of £3,780) less than two years later they had accumulated approx. £5,000 in unsecured debt and were once again looking to consolidate this. There is no mention on the client review in 2008 of judgment debts, missed payments or previous repossessions, as were disclosed in 2006. As a result, a mainstream lender was sourced.

The fixed rate of 5.94% until July 2013 was in line with other fixed rates on offer at the time – although base rate had fallen slightly, the financial crisis and property crash that began in late 2007 had resulted in uncertainty in the mortgage market and the availability of mortgages had been curtailed. So the availability of fixed rates was limited. I'm satisfied that advice to fix the interest rate was a reasonable recommendation, given the lending climate at the time. No-one could have predicted in 2008 that interest rates would fall to 0.5%.

Mr and Mrs S's net income was approx. £1,500 per month. Whilst their credit card repayments were affordable, the payments they were making on their cards were insufficient to make any real headway into repaying the capital – except for one 0% card which was about to expire. Over the longer term, I think it likely Mr and Mrs S would have paid considerably more towards their credit card debts by making minimum (or slightly more than minimum) payments than they would pay by rolling up the overall cost of those debts into the mortgage.

Overall I'm satisfied the recommendation for a mortgage with a mainstream lender was suitable. I'm also satisfied that a repayment mortgage would have been unaffordable for Mr and Mrs S. It is clear that Mr and Mrs S considered how they would repay the mortgage at the end of the term. They had significant equity in their property and had explained they would downsize to a smaller home. So in all the circumstances, I'm satisfied this was reasonable, taking into consideration the selling standards at the time.

conclusion – I'm satisfied that both the 2006 and 2008 recommendations were suitable.

my final decision

My final decision is that I do not uphold this complaint.

Jan O'Leary
ombudsman